

CALHOUN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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CALHOUN COUNTY

OFFICIALS

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2013
Gary Nicholson	Board of Supervisors	Jan. 2013
Scott Jacobs	Board of Supervisors	Jan. 2015
Judy Howrey	County Auditor	Jan. 2013
Lori Erkenbrack	County Treasurer	Jan. 2015
Kathy Bennett	County Recorder	Jan. 2015
William A. Davis	County Sheriff	Jan. 2013
Cynthia Voorde	County Attorney	Jan. 2015
Joan Wagner	County Assessor	Jan. 2016

(After January 2013)

Scott Jacobs	Board of Supervisors	Jan. 2015
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2017
Gary Nicholson	Board of Supervisors	Jan. 2017
Judy Howrey	County Auditor	Jan. 2017
Lori Erkenbrack	County Treasurer	Jan. 2015
Kathy Bennett	County Recorder	Jan. 2015
William A. Davis	County Sheriff	Jan. 2017
Tina Meth-Farrington	County Attorney	Jan. 2015
Joan Wagner	County Assessor	Jan. 2016

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Calhoun County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 10 and 38 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for each of the years in the nine year period ending June 30, 2012 (which are not presented herein), and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2014 on our consideration of Calhoun County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calhoun County's internal control over financial reporting and compliance.

Hungelman, Putzier & Co., PLLC

January 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calhoun County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 14.1%, or \$1,879,004, from fiscal 2012 to fiscal 2013. Charges for services decreased \$196,304, operating grants and contributions increased \$1,217,393, property tax decreased \$113,132, unrestricted investment earnings decreased \$8,105, and capital grants and contributions increased \$860,461.
- Program expenses of the County's governmental activities were 6.9%, or \$910,050, less in fiscal 2013 than in fiscal 2012.
- The County's net position increased 11.7%, or \$2,930,892 from June 30, 2012, to June 30, 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Calhoun County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Calhoun County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calhoun County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three categories of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Calhoun County's combined net position for fiscal year 2013 totaled approximately \$28.1 million, increasing from \$25.1 million for fiscal year 2012. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities

		<u>June 30</u>
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 19,790,333	\$ 17,056,531
Capital assets	<u>16,580,791</u>	<u>16,183,333</u>
Total assets	<u>36,371,124</u>	<u>33,239,864</u>
Long-term liabilities	933,891	899,717
Other liabilities	<u>7,367,560</u>	<u>7,201,366</u>
Total liabilities	<u>8,301,451</u>	<u>8,101,083</u>
Net position		
Net investment in capital assets	16,580,791	16,183,333
Restricted	9,692,491	7,372,343
Unrestricted	<u>1,796,391</u>	<u>1,583,105</u>
Total net position, as restated	<u>\$ 28,069,673</u>	<u>\$ 25,138,781</u>

Net position of Calhoun County's governmental activities increased by \$2,930,892 from fiscal year 2012. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Position of Governmental Activities

	Year Ended June 30,	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,113,327	\$ 1,309,631
Operating grants, contributions, and restricted interest	5,706,780	4,489,387
Capital grants, contributions, and restricted interest	1,623,247	762,786
General revenues:		
Property tax	5,936,168	6,049,300
Penalty and interest on property tax	26,181	35,405
State tax credits	318,236	263,220
Local option sales tax	347,672	287,612
Unrestricted investment earnings	125,365	133,470
Other general revenues	17,173	4,334
Total revenues	<u>15,214,149</u>	<u>13,335,145</u>
Program expenses:		
Public safety and legal services	1,899,555	1,858,688
Physical health and social services	1,985,566	1,984,622
Mental health	294,118	1,536,709
County environment and education	677,026	689,586
Roads and transportation	5,447,593	5,145,861
Governmental services to residents	568,101	535,210
Administration	1,204,995	1,194,910
Non-program	176,565	222,101
Interest on long-term debt	29,738	25,620
Total expenses	<u>12,283,257</u>	<u>13,193,307</u>
Increase in net position	2,930,892	141,838
Net position beginning of year, as restated	<u>25,138,781</u>	<u>24,996,943</u>
Net position end of year, as restated	<u>\$ 28,069,673</u>	<u>\$ 25,138,781</u>

Calhoun County increased property taxes from a total levy of 11.65481 to 11.66943 from fiscal year 2012 to fiscal year 2013.

INDIVIDUAL MAJOR FUND ANALYSIS

As Calhoun County completed the year, its governmental funds reported a combined fund balance of \$12,394,841, an increase of \$2,516,515 from last year's total of \$9,878,326. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues decreased by \$196,613, and expenditures increased by \$221,407. The General Fund ending balance increased by \$261,513 from the prior year to \$4,076,322.
- Rural Services Fund ending balance increased \$107,220 from the prior year.

- Secondary Roads Fund revenues increased \$2,173,449 and expenditures increased \$413,814. The revenue increase is due to the amount received from the state for the transfer of jurisdiction for Highway 20 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calhoun County amended its budget two times. There were various reasons for the amendments including:

September, 2012: Expenditures: Ambulance equipment, buildings maintenance and data processing equipment.

May 28, 2013: Revenue – Medical Examiner-fees from other counties
Expenses – Board of Supervisors proceedings and mileage; Auditor schooling and election expense; computers and software; EMS Tort liability insurance; Weed Commissioner, health insurance; Social Services increase in cost of juvenile services (Toledo); Medical Examiner autopsy fees; transfers from Capital Projects to General Basic.

With these amendments, the County did not exceed the amounts budgeted.

CAPITAL ASSETS

At June 30, 2013, Calhoun County had approximately \$16.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Capital Assets of Governmental Activities at Year End

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 565,548	\$ 565,548
Buildings and improvements	1,591,696	1,564,533
Equipment and vehicles	3,864,131	3,734,252
Intangibles	52,688	72,265
Construction in progress	-	452,395
Infrastructure, road network	<u>10,506,728</u>	<u>9,794,340</u>
Total	<u>\$ 16,580,791</u>	<u>\$ 16,183,333</u>

The County had depreciation expense of \$1,579,142 in fiscal year 2013, and total accumulated depreciation of \$9,773,348 at June 30, 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Calhoun County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget and tax rates. The census for 2010 is 9,670. This is a decrease of 1,445 from census year 2000.

All departments budget very conservatively. The employees are paying a portion of their health insurance with the Board setting a cap for the portion the county will pay.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Calhoun County's finances and to show the County's accountability for the money it receives. If you have any questions, contact the Calhoun County Auditor's Office, 416 Fourth St., Ste 1, Rockwell City, Iowa, 50579.

CALHOUN COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A

	<u>Governmental</u> <u>Activities</u>
<u>ASSETS</u>	
Cash, cash equivalents and pooled investments	\$ 11,820,904
Receivables (net of allowances for uncollectibles):	
Property tax:	
Delinquent	9,320
Succeeding year	6,181,042
Interest and penalty on property tax	56,452
Accounts	294,111
Accrued interest	23,750
Drainage assessments	168,578
Due from other governments	151,331
Inventories	880,569
Prepaid expenses	204,276
Land	565,548
Capital assets (net of accumulated depreciation/amortization)	16,015,243
Total Assets	<u>\$ 36,371,124</u>
<u>LIABILITIES</u>	
Accounts payable	490,454
Salaries and benefits payable	138,710
Due to other governments	312,753
Interest payable	70,067
Deferred revenue:	
Succeeding year property tax	6,181,042
Other	174,534
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	447,359
Portion due or payable after one year:	
Drainage warrants payable	464,961
Net OPEB liability	21,571
Total liabilities	<u>8,301,451</u>
<u>NET POSITION</u>	
Net investment in capital assets	16,580,791
Restricted for:	
Supplemental levy purposes	2,019,232
Rural service purposes	568,117
Secondary roads purposes	6,049,319
Other purposes	1,055,823
Unrestricted	1,796,391
Total net position	<u>\$ 28,069,673</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Exhibit B

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,899,555	\$ 527,060	\$ 75,978	\$ -	\$ (1,296,517)
Physical health and social services	1,985,566	91,022	576,750	-	(1,317,794)
Mental health	294,118	1,530	38,756	-	(253,832)
County environment and education	677,026	121,027	26,665	-	(529,334)
Roads and transportation	5,447,593	111,259	4,982,791	1,460,364	1,106,821
Governmental services to residents	568,101	218,325	3,736	-	(346,040)
Administration	1,204,995	43,104	2,104	-	(1,159,787)
Non-program	176,565	-	-	162,883	(13,682)
Interest on long-term debt	29,738	-	-	-	(29,738)
Total	<u>\$ 12,283,257</u>	<u>\$ 1,113,327</u>	<u>\$ 5,706,780</u>	<u>\$ 1,623,247</u>	<u>(3,839,903)</u>
General Revenues:					
Property and other county tax					5,936,168
Penalty and interest on property tax					26,181
State tax credits					318,236
Local option sales tax					347,672
Unrestricted investment earnings					125,365
Miscellaneous					17,173
Total general revenues					<u>6,770,795</u>
Change in net position					2,930,892
Net position beginning of year, as restated					<u>25,138,781</u>
Net position end of year					<u>\$ 28,069,673</u>

See notes to financial statements.

CALHOUN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit C

		<u>Special Revenue</u>			
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
<u>ASSETS</u>					
Cash, cash equivalents and pooled investments	\$ 3,733,671	\$ 625,795	\$ 5,588,401	\$ 1,873,037	\$ 11,820,904
Receivables:					
Property tax:					
Delinquent	14,833	2,111	-	1,562	18,506
Succeeding year	4,042,125	1,727,822	-	411,095	6,181,042
Interest and penalty on property tax	64,753	-	-	-	64,753
Accounts	283,681	3,463	1,945	5,022	294,111
Accrued interest	23,737	-	-	4	23,741
Drainage assessments	-	-	-	168,578	168,578
Due from other funds	32,071	-	-	-	32,071
Due from other governments	66,428	-	53,568	30,127	150,123
Inventories	-	-	880,569	-	880,569
Prepaid expenses	135,349	801	73,399	1,640	211,189
Total assets	<u>\$ 8,396,648</u>	<u>\$ 2,359,992</u>	<u>\$ 6,597,882</u>	<u>\$ 2,491,065</u>	<u>\$ 19,845,587</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 66,740	\$ 27,600	\$ 348,724	\$ 21,265	\$ 464,329
Salaries and benefits payable	75,891	6,756	55,027	1,036	138,710
Due to other funds	22,270	-	11,120	402	33,792
Due to other governments	33,714	-	125	278,914	312,753
Interest payable	-	-	-	70,067	70,067
Deferred revenue:					
Succeeding year property tax	4,042,125	1,727,822	-	411,095	6,181,042
Other	79,586	2,111	-	168,356	250,053
Total liabilities	<u>4,320,326</u>	<u>1,764,289</u>	<u>414,996</u>	<u>951,135</u>	<u>7,450,746</u>
Fund balances:					
Nonspendable					
Inventories	-	-	880,569	-	880,569
Prepaid expenses	135,349	801	73,399	1,640	211,189
Restricted for:					
Supplemental levy purposes	2,024,468	-	-	-	2,024,468
Rural services purposes	-	594,902	-	-	594,902
Secondary roads purposes	-	-	4,522,768	-	4,522,768
Other purposes	-	-	-	703,621	703,621
Committed for:					
Secondary roads gravel	-	-	706,150	-	706,150
Assigned for:					
Conservation capital improvements	-	-	-	413,000	413,000
Capital projects	-	-	-	371,669	371,669
Park road and pad improvements	-	-	-	50,000	50,000
Unassigned	1,916,505	-	-	-	1,916,505
Total fund balances	<u>4,076,322</u>	<u>595,703</u>	<u>6,182,886</u>	<u>1,539,930</u>	<u>12,394,841</u>
Total liabilities and fund balances	<u>\$ 8,396,648</u>	<u>\$ 2,359,992</u>	<u>\$ 6,597,882</u>	<u>\$ 2,491,065</u>	<u>\$ 19,845,587</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit D

Total governmental fund balances	\$ 12,394,841
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$26,354,139 and the accumulated depreciation/amortization is \$9,773,348.	16,580,791
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	83,259
The allowance for uncollectible accounts receivable is not reported in the governmental funds.	(17,486)
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.	(37,841)
Compensated absences payable, other postemployment benefits payable, and drainage warrants payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(933,891)</u>
Net position of governmental activities	<u>\$ 28,069,673</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit E

		Special Revenue			
	General	Rural Services	Secondary Roads	Nonmajor	Total
Revenues:					
Property and other County tax	\$3,898,425	\$1,634,064	\$ 173,836	\$ 583,553	\$ 6,289,878
Interest and penalty on property tax	28,513	-	-	-	28,513
Intergovernmental	972,577	85,354	5,180,563	71,711	6,310,205
Licenses and permits	13,669	-	4,520	-	18,189
Charges for services	738,956	16,690	-	2,880	758,526
Use of money and property	123,095	-	-	127	123,222
Miscellaneous	40,901	514	64,455	179,421	285,291
Total revenues	<u>5,816,136</u>	<u>1,736,622</u>	<u>5,423,374</u>	<u>837,692</u>	<u>13,813,824</u>
Expenditures:					
Operating:					
Public safety and legal services	1,545,795	349,617	-	6,954	1,902,366
Physical health and social services	2,005,909	-	-	-	2,005,909
Mental health	-	-	-	295,449	295,449
County environment and education	431,962	168,833	-	-	600,795
Roads and transportation	919	21,483	4,223,509	-	4,245,911
Governmental services to residents	551,034	1,138	-	-	552,172
Administrative	979,676	1,164	-	53,854	1,034,694
Non-program	3,141	-	-	203,162	206,303
Capital projects	-	-	281,632	206,516	488,148
Total expenditures	<u>5,518,436</u>	<u>542,235</u>	<u>4,505,141</u>	<u>765,935</u>	<u>11,331,747</u>
Excess (deficiency) of revenues over expenditures	<u>297,700</u>	<u>1,194,387</u>	<u>918,233</u>	<u>71,757</u>	<u>2,482,077</u>
Other financing sources (uses):					
Sale of capital assets	-	-	14,210	-	14,210
Operating transfers in	66,000	-	1,189,354	-	1,255,354
Operating transfers out	(102,187)	(1,087,167)	-	(66,000)	(1,255,354)
Drainage district warrants	-	-	-	20,228	20,228
Total other financing sources (uses)	<u>(36,187)</u>	<u>(1,087,167)</u>	<u>1,203,564</u>	<u>(45,772)</u>	<u>34,438</u>
Net change in fund balances	261,513	107,220	2,121,797	25,985	2,516,515
Fund balances, beginning of year, as restated	<u>3,814,809</u>	<u>488,483</u>	<u>4,061,089</u>	<u>1,513,945</u>	<u>9,878,326</u>
Fund balances, end of year	<u>\$4,076,322</u>	<u>\$ 595,703</u>	<u>\$ 6,182,886</u>	<u>\$ 1,539,930</u>	<u>\$12,394,841</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Exhibit F

Net change in fund balances - Total governmental funds		\$ 2,516,515
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$ 1,990,809	
Depreciation/amortization expense	<u>(1,579,142)</u>	411,667
In the Statement of Activities, the net effect of various transactions involving capital assets (i.e., sales and trade-ins) is reflected in depreciation expense, whereas the governmental funds report any proceeds from the disposition of assets as an increase in financial resources.		(14,210)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:		
Property tax		(5,378)
The increase in the allowance for uncollectible accounts receivable is not reported in the fund financial statements.		(2,991)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments as follows:		
Issued drainage district warrants	\$ (157,002)	
Redeemed drainage district warrants	<u>136,774</u>	(20,228)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences		(8,311)
Other post employment benefits		(5,636)
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.		<u>59,464</u>
Change in net position of governmental activities		<u>\$ 2,930,892</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

Exhibit G

	Internal Service Employee <u>Group Health</u>
<u>ASSETS</u>	
Cash, cash equivalents and pooled investments	\$ -
Accrued interest	9
Due from other funds	33,792
Due from other governments	1,208
Prepaid expense	<u>128,389</u>
Total assets	<u>163,398</u>
 <u>LIABILITIES</u>	
Accounts payable	26,126
Due to other funds	32,071
Deferred revenue	<u>143,042</u>
Total liabilities	<u>201,239</u>
 <u>NET POSITION</u>	
Unrestricted	<u>\$ (37,841)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

Exhibit H

	Internal Service Employee Group Health
Operating revenues:	
Reimbursements from operating funds	\$ 1,607,542
Reimbursements from employees and others	52,453
Insurance reimbursements	<u>5,287</u>
Total operating revenues	1,665,282
Operating expenses:	
Medical claims and administrative fees	<u>1,607,961</u>
Operating income	57,321
Non-operating revenues:	
Interest income	<u>2,143</u>
Net income	59,464
Net position beginning of year	<u>(97,305)</u>
Net position end of year	<u>\$ (37,841)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

Exhibit I

	<u>Internal Service Employee Group Health</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 52,453
Cash received from insurance reimbursements	5,287
Cash received from operating fund reimbursements	1,583,737
Cash payments for medical claims and administrative fees	<u>(1,939,951)</u>
Net cash used for operating activities	(298,474)
Cash flows from noncapital financing activities:	
Advances from other funds	<u>32,071</u>
Cash flows from investing activities:	
Interest on investments	<u>2,147</u>
Net decrease in cash and cash equivalents	(264,256)
Cash and cash equivalents, beginning of year	<u>264,256</u>
Cash and cash equivalents, end of year	<u>\$ -</u>
Reconciliation of operating income to net cash used for operating activities:	
Operating income	\$ 57,321
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other funds	(33,792)
Increase in due from other governments	(1,208)
Increase in prepaid expense	(128,389)
Decrease in accrued expenses	(203,601)
Increase in deferred revenue	<u>11,195</u>
Net cash used for operating activities	<u>\$ (298,474)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

Exhibit J

ASSETS

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 632,535
Other County officials	42,952

Receivables:

Property tax:

Delinquent	59,977
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Succeeding year	10,230,319
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Accounts	10,413
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Due from other governments	40,342
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Total assets	<u>11,016,538</u>
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LIABILITIES

Accounts payable	24,455
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Salaries payable	2,875
------------------	-------

Due to other governments	10,985,528
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Trusts payable	3,680
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Total liabilities	<u>11,016,538</u>
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Net Position

\$ -

See notes to financial statements.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calhoun County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Calhoun County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Calhoun County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred thirty-eight drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Calhoun County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Calhoun County Auditor's office.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Joint Disaster Services Commission, Calhoun County Landfill Authority, and Calhoun County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets consists of capital assets net of accumulated depreciation/amortization.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue: (Continued)

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting- (Continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011, assessed property valuations; is for the tax accrual period July 1, 2012, through June 30, 2013, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepays – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the Government-wide and fund financial statements on the consumption method.

Capital Assets - Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Position. Calhoun County was not required to report its infrastructure assets retroactively and it elected not to do so. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Capital Assets -- (Continued)

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-200
Building improvements	10-50
Infrastructure	10-65
Intangibles	10
Equipment	4-50
Vehicles	6-10

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of succeeding year property tax receivable, as well as delinquent property tax receivable not collected within sixty days after year end and drainage assessments receivable.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable and drainage assessments receivable that will not be recognized as revenue until the year for which it is levied and contributions from external customers in the Employee Group Health Fund.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services, and Secondary Roads Funds.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position - The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2013, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS- (Continued)

The County's investments at June 30, 2013, include drainage district warrants with a carrying amount of \$144,576. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,851,769 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The investment in Iowa Public Agency Investment Trust is unrated.

3. DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2013 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 32,071	\$ 22,270
Mental Health Fund	-	402
Secondary Roads Fund	-	11,120
Proprietary Fund:		
Internal Service Employee Group Health	<u>33,792</u>	<u>32,071</u>
	<u>\$ 65,863</u>	<u>\$ 65,863</u>

The interfund payable balances in governmental funds are charges from the Proprietary Fund- Internal Service Employee Group Health to make up a deficit net position resulting from prior charges failing to recover the full cost of claims.

The General Fund interfund receivable balance is a result of advances made during the year to finance the Proprietary Fund- Internal Service Employee Group Health, which had overdrawn its share of the internal investment pool. The balance is scheduled to be collected in the subsequent year.

4. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	\$ 66,000
Special Revenue:		
Secondary Roads	General	102,187
	Special Revenue:	
	Rural Services	<u>1,087,167</u>
		<u>1,189,354</u>
Total		<u>\$ 1,255,354</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 565,548	\$ -	\$ -	\$ 565,548
Construction in progress	452,395	1,262,592	1,714,987	-
Total capital assets not being depreciated/amortized	<u>1,017,943</u>	<u>1,262,592</u>	<u>1,714,987</u>	<u>565,548</u>
Capital assets being depreciated/amortized:				
Buildings	2,270,882	81,488	-	2,352,370
Equipment and vehicles	8,456,409	655,055	285,273	8,826,191
Intangibles	182,126	-	-	182,126
Infrastructure, road network	12,712,917	1,714,987	-	14,427,904
Total capital assets being depreciated/amortized	<u>23,622,334</u>	<u>2,451,530</u>	<u>285,273</u>	<u>25,788,591</u>
Less accumulated depreciation/amortization for:				
Buildings	\$ 706,349	\$ 54,325	\$ -	\$ 760,674
Equipment and vehicles	4,722,157	502,641	262,738	4,962,060
Intangibles	109,861	19,577	-	129,438
Infrastructure, road network	2,918,577	1,002,599	-	3,921,176
Total accumulated depreciation/amortization	<u>8,456,944</u>	<u>1,579,142</u>	<u>262,738</u>	<u>9,773,348</u>
Total capital assets being depreciated/amortized, net	<u>15,165,390</u>	<u>872,388</u>	<u>22,535</u>	<u>16,015,243</u>
Governmental activities capital assets, net	<u>\$16,183,333</u>	<u>\$ 2,134,980</u>	<u>\$ 1,737,522</u>	<u>\$16,580,791</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 57,294
Physical health and social services	17,773
County environment and education	43,644
Roads and transportation	1,380,319
Governmental services to residents	17,766
Administration	<u>62,346</u>
Total depreciation/amortization expense--governmental activities	<u>\$ 1,579,142</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 33,714
Special Revenue:		
Mental Health	Services	278,914
Secondary Roads		<u>125</u>
Total for governmental funds		<u>\$ 312,753</u>
Agency:		
County Assessor	Collections	\$ 339,748
Schools		6,608,159
Community Colleges		520,624
Corporations		2,603,651
Auto License and Use Tax		238,955
All other		<u>674,391</u>
Total for agency funds		<u>\$ 10,985,528</u>

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013, is as follows:

	<u>Drainage Warrants</u>	<u>Net OPEB Liability</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance, beginning of year	\$ 444,734	\$ 15,935	\$ 439,048	\$ 899,717
Increases	157,001	5,636	8,311	170,948
Decreases	<u>136,774</u>	<u>-</u>	<u>-</u>	<u>136,774</u>
Balance, end of year	<u>\$ 464,961</u>	<u>\$ 21,571</u>	<u>\$ 447,359</u>	<u>\$ 933,891</u>
Due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 447,359</u>	<u>\$ 447,359</u>

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual salary and the County is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$348,951, \$334,662, and \$289,464, respectively, equal to the required contributions for each year.

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical, prescription drug, and dental benefits for employees, retirees, and their spouses. There are 90 active and 1 retired members in the plan. Retired participants must have accumulated 20 years of service or have attained age 62 at retirement. Benefits cease upon attaining age 65. The plan does not issue a stand-alone financial report.

The medical, prescription drug, and dental coverage, which is a medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. Retirees pay the full premium. The current funding policy of the County is to pay health claims as they occur. The required contribution is based on projected pay-as-you go financing. Retirees receiving benefits have required monthly contributions of:

<u>Rate Tier</u>	<u>Health and Prescription Drug</u>	<u>Dental</u>
Retiree only	\$ 573	\$ 27
Retiree and family	1,413	62

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 5,897
Interest on net OPEB obligation	717
Adjustment to annual required contribution	<u>(978)</u>
Annual OPEB cost	5,636
Contributions made	<u>-</u>
Increase in net OPEB obligation	5,636
Net OPEB obligation beginning of year	<u>15,935</u>
Net OPEB obligation end of year	<u>\$ 21,571</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 5,849	13.78%	\$ 10,156
June 30, 2012	\$ 5,779	0.00%	\$ 15,935
June 30, 2013	\$ 5,636	0.00%	\$ 21,571

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$78,482, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$78,482. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,661,913 and the ratio of the UAAL to covered payroll was 2.14%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on 10% for actives currently electing coverage.

Projected claim costs of the medical plan are \$745 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

10. RISK MANAGEMENT

Calhoun County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013, were \$168,523.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. RISK MANAGEMENT - (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively, except that the treasurer's bond is in the amount of \$200,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Benefits, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual out of pocket maximum of \$4,000 for single coverage and \$8,000 for family coverage. Claims in excess of the out of pocket maximums are insured through the purchase of insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Benefits, Inc. from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2013, was \$1,607,542.

Amounts payable from the Employee Group Health Fund at June 30, 2013, total \$26,126, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2013, the County has actual claims and expenses in excess of accumulated funds of \$37,841, which is reported as a deficit net position of the Internal Service, Employee Group Health Fund.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. EMPLOYEE HEALTH INSURANCE PLAN- (Continued)

Prior to July 1, 2012, The County assumed liability for claims up to the individual stop loss limitation of \$35,000. As a result the County was responsible for the payment of claims incurred prior to July 1, 2012. A reconciliation of changes in the aggregate liability for these run out claims for the current year is as follows:

Unpaid claims beginning of year	\$ 229,728
Payments:	
Prior year events	229,605
Total payments	<u>229,605</u>
Unpaid claims end of year	<u>\$ 123</u>

12. COMMITMENTS

The County has entered into the following contracts prior to June 30, 2013, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6/30/13</u>	<u>Remaining Commitment As of 6/30/13</u>
Roadway markings	\$ 116,713	\$ 106,852	\$ 9,861
Gravel crushing	\$ 642,400	\$ -	\$ 642,400

The balance remaining at June 30, 2013, will be paid as work on the projects progresses.

13. FARM LEASE

The County has entered into an agreement to lease 241.07 acres of farmland which it owns situated in Calhoun County. This cash lease arrangement is at a rate of \$71,115 per year for each of the three years of the lease with payments of \$23,705 being due on or before each March 15, August 15, and December 1, of 2011, 2012, and 2013. This agreement commenced on March 1, 2011, and will end on February 28, 2014.

14. JUVENILE DETENTION CENTER

The County participates in Central Iowa Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable, and safe environment in which juveniles can await court disposition. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the basis of cash receipts and disbursements, and the transactions of the Center are not included in the financial statements of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

14. JUVENILE DETENTION CENTER- (Continued)

The Center's activity for the fiscal year ending June 30, 2012, which is the latest information available, is summarized as follows:

Net position, beginning of year	\$ 185,631
Receipts	5,164,426
Disbursements	<u>5,160,578</u>
Net position, end of year	<u>\$ 189,479</u>

During the year ended June 30, 2012, the Center received line of credit proceeds totaling \$716,000. At June 30, 2012, the balance outstanding on a mortgage loan was \$832,872 and the line of credit was fully paid.

15. OPERATING LEASE

Calhoun County leases digital imaging equipment for its public health department and county attorney's office. The public health department also leases a postage machine. Total expenses under these operating leases for the year ended June 30, 2013, was \$10,535. Future remaining minimum lease payments under these leases at June 30, 2013, are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 9,907
2015	3,647
2016	3,395
2017	<u>242</u>
Total minimum lease payments	<u>\$ 17,191</u>

16. FINANCIAL CONDITION

The Proprietary Fund- Internal Service Employee Group Health had a deficit net position balance of \$37,841 at June 30, 2013. The deficit balance was a result of payables as of June 30, 2013.

17. ACCOUNTING RESTATEMENT

Beginning fund balance for governmental funds has been restated to reflect a correction in beginning fund balance for the General fund. This restatement is summarized below:

Beginning fund balance, June 30, 2012, as previously reported	\$ 9,884,458
Correction	<u>(6,132)</u>
Restated beginning fund balance, June 30, 2012	<u>\$ 9,878,326</u>

Beginning net position for governmental activities has been restated to reflect the same correction. This restatement is summarized below:

Net position, June 30, 2012, as previously reported	\$ 25,144,913
Correction	<u>(6,132)</u>
Restated net position, June 30, 2012	<u>\$ 25,138,781</u>

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET
AND ACTUAL (CASH BASIS) – ALL GOVERNMENT FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

		Less Funds Not Required to be		<u>Budgeted Amounts</u>		Final to Net
	<u>Actual</u>	<u>Budgeted</u>	<u>Net</u>	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Receipts:						
Property and other County tax	\$ 6,271,174	\$ -	\$ 6,271,174	\$6,290,280	\$6,290,280	\$ (19,106)
Interest and penalty on property tax	28,513	-	28,513	35,000	35,000	(6,487)
Intergovernmental	6,343,781	-	6,343,781	4,996,743	5,004,743	1,339,038
Licenses and permits	17,869	-	17,869	9,550	9,550	8,319
Charges for service	883,304	-	883,304	779,435	779,435	103,869
Use of money and property	126,530	-	126,530	241,725	241,725	(115,195)
Miscellaneous	320,649	192,791	127,858	68,000	68,000	59,858
Total receipts	<u>13,991,820</u>	<u>192,791</u>	<u>13,799,029</u>	<u>12,420,733</u>	<u>12,428,733</u>	<u>1,370,296</u>
Disbursements:						
Public safety and legal services	1,895,467	-	1,895,467	2,064,357	2,078,847	183,380
Physical health and social services	1,950,214	-	1,950,214	2,233,902	2,273,902	323,688
Mental health	351,443	-	351,443	1,489,200	1,489,200	1,137,757
County environment and education	599,519	-	599,519	774,479	774,699	175,180
Roads and transportation	4,042,852	-	4,042,852	4,117,786	4,117,786	74,934
Governmental services to residents	549,508	-	549,508	568,461	571,461	21,953
Administration	1,015,262	-	1,015,262	1,161,662	1,194,582	179,320
Non-program	218,796	215,655	3,141	8,675	8,675	5,534
Capital projects	476,843	-	476,843	726,000	926,000	449,157
Total disbursements	<u>11,099,904</u>	<u>215,655</u>	<u>10,884,249</u>	<u>13,144,522</u>	<u>13,435,152</u>	<u>2,550,903</u>
Excess (deficiency) of receipts over disbursements	2,891,916	(22,864)	2,914,780	(723,789)	(1,006,419)	3,921,199
Other financing sources	<u>34,438</u>	<u>20,228</u>	<u>14,210</u>	<u>500</u>	<u>500</u>	<u>13,710</u>
Excess (deficiency) of receipts and other financing sources over disbursements	2,926,354	(2,636)	2,928,990	(723,289)	(1,005,919)	3,934,909
Balance beginning of year, as restated	<u>8,926,621</u>	<u>184,617</u>	<u>8,742,004</u>	<u>6,980,963</u>	<u>6,980,963</u>	<u>1,761,041</u>
Balance end of year	<u>\$ 11,852,975</u>	<u>\$ 181,981</u>	<u>\$11,670,994</u>	<u>\$6,257,674</u>	<u>\$5,975,044</u>	<u>\$5,695,950</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Funds		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
Revenues	\$13,991,820	\$ (177,996)	\$13,813,824
Expenditures	<u>11,099,904</u>	<u>231,843</u>	<u>11,331,747</u>
Net	2,891,916	(409,839)	2,482,077
Other financing sources, net	34,438	-	34,438
Beginning fund balances	<u>8,926,621</u>	<u>951,705</u>	<u>9,878,326</u>
Ending fund balances	<u>\$11,852,975</u>	<u>\$ 541,866</u>	<u>\$12,394,841</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$290,630. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council; for the County Assessor by the County Conference Board; for the E911 System by the Joint E911 Service Board; and for Emergency Management Services by the Calhoun County Emergency Management Commission.

Included in the funds not required to be budgeted are the drainage districts.

CALHOUN COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,805,000	1.39%
2011	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,900,125	1.35%
2012	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,997,630	1.32%
2013	July 1, 2012	-	\$ 78,482	\$ 78,482	0.00%	\$3,661,913	2.14%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, and funded status and funding progress.

SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2013

Schedule 1

	Special Revenue										
	Local Option Sales Tax	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Conservation Trust	Mental Health	Capital Projects	Total
<u>ASSETS</u>											
Cash, cash equivalents and pooled investments	\$ 367,234	\$ 85,041	\$ 181,981	\$ 4,936	\$ 13,008	\$ 5,627	\$ 47,867	\$ 414,949	\$ 380,725	\$ 371,669	\$ 1,873,037
Receivables:											
Property tax:											
Delinquent	-	-	-	-	-	-	-	-	1,562	-	1,562
Succeeding year	-	-	-	-	-	-	-	-	411,095	-	411,095
Accounts	-	-	-	-	616	-	-	4,406	-	-	5,022
Interest	-	-	-	-	4	-	-	-	-	-	4
Drainage assessments	-	-	168,578	-	-	-	-	-	-	-	168,578
Due from other governments	30,127	-	-	-	-	-	-	-	-	-	30,127
Prepaid expenses	-	-	-	-	-	-	-	-	1,640	-	1,640
Total assets	<u>\$ 397,361</u>	<u>\$ 85,041</u>	<u>\$ 350,559</u>	<u>\$ 4,936</u>	<u>\$ 13,628</u>	<u>\$ 5,627</u>	<u>\$ 47,867</u>	<u>\$ 419,355</u>	<u>\$ 795,022</u>	<u>\$ 371,669</u>	<u>\$ 2,491,065</u>
<u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ 4,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,542	\$ -	\$ 21,265
Salaries and benefits payable	-	-	-	-	-	-	-	-	1,036	-	1,036
Due to other funds	-	-	-	-	-	-	-	-	402	-	402
Due to other governments	-	-	-	-	-	-	-	-	278,914	-	278,914
Interest payable	-	-	70,067	-	-	-	-	-	-	-	70,067
Deferred revenue:											
Succeeding year property tax	-	-	-	-	-	-	-	-	411,095	-	411,095
Other	-	-	166,794	-	-	-	-	-	1,562	-	168,356
Total liabilities	<u>-</u>	<u>-</u>	<u>241,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>709,551</u>	<u>-</u>	<u>951,135</u>
Fund balance:											
Nonspendable:											
Prepaid expenses	-	-	-	-	-	-	-	-	1,640	-	1,640
Restricted	397,361	35,041	108,975	4,936	13,628	5,627	47,867	6,355	83,831	-	703,621
Assigned for:											
Conservation capital improvements	-	-	-	-	-	-	-	413,000	-	-	413,000
Capital projects	-	-	-	-	-	-	-	-	-	371,669	371,669
Park road and pad improvements	-	50,000	-	-	-	-	-	-	-	-	50,000
Total fund balances	<u>397,361</u>	<u>85,041</u>	<u>108,975</u>	<u>4,936</u>	<u>13,628</u>	<u>5,627</u>	<u>47,867</u>	<u>419,355</u>	<u>85,471</u>	<u>371,669</u>	<u>1,539,930</u>
Total liabilities and fund balances	<u>\$ 397,361</u>	<u>\$ 85,041</u>	<u>\$ 350,559</u>	<u>\$ 4,936</u>	<u>\$ 13,628</u>	<u>\$ 5,627</u>	<u>\$ 47,867</u>	<u>\$ 419,355</u>	<u>\$ 795,022</u>	<u>\$ 371,669</u>	<u>\$ 2,491,065</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
JUNE 30, 2013

Schedule 2

	Special Revenue										
	Local Option Sales Tax	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Conservation Trust	Mental Health	Capital Projects	Total
Revenues:											
Property and other County tax	\$ 173,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 409,717	\$ -	\$ 583,553
Intergovernmental	-	10,127	-	600	-	-	-	-	60,984	-	71,711
Charges for services	-	-	-	-	2,442	-	-	438	-	-	2,880
Use of money and property	-	6	-	-	76	-	-	45	-	-	127
Miscellaneous	-	-	162,883	-	-	-	-	16,538	-	-	179,421
Total revenues	173,836	10,133	162,883	600	2,518	-	-	17,021	470,701	-	837,692
Expenditures:											
Operating:											
Public safety and legal services	2,798	-	-	772	-	-	3,384	-	-	-	6,954
Mental health	-	-	-	-	-	-	-	-	295,449	-	295,449
Administrative	53,854	-	-	-	-	-	-	-	-	-	53,854
Non-program	-	-	203,162	-	-	-	-	-	-	-	203,162
Capital projects	-	-	-	-	-	-	-	25,435	-	181,081	206,516
Total expenditures	56,652	-	203,162	772	-	-	3,384	25,435	295,449	181,081	765,935
Excess (deficiency) of revenues over expenditures	117,184	10,133	(40,279)	(172)	2,518	-	(3,384)	(8,414)	175,252	(181,081)	71,757
Other financing sources (uses):											
Operating transfers out	-	-	-	-	-	-	-	-	-	(66,000)	(66,000)
Drainage district warrants	-	-	20,228	-	-	-	-	-	-	-	20,228
Total other financing sources (uses)	-	-	20,228	-	-	-	-	-	-	(66,000)	(45,772)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	117,184	10,133	(20,051)	(172)	2,518	-	(3,384)	(8,414)	175,252	(247,081)	25,985
Fund balances beginning of year	280,177	74,908	129,026	5,108	11,110	5,627	51,251	427,769	(89,781)	618,750	1,513,945
Fund balances end of year	\$ 397,361	\$ 85,041	\$ 108,975	\$ 4,936	\$ 13,628	\$ 5,627	\$ 47,867	\$ 419,355	\$ 85,471	\$ 371,669	\$ 1,539,930

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2013

Schedule 3

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS</u>										
Cash, cash equivalents and pooled investments:										
County Treasurer	\$ -	\$ 1,969	\$ 92,329	\$ 78,701	\$ 5,380	\$ 35,752	\$ 3,227	\$ 238,955	\$ 176,222	\$ 632,535
Other County officials	42,952	-	-	-	-	-	-	-	-	42,952
Receivables:										
Property tax:										
Delinquent	-	636	855	25,272	1,742	30,844	620	-	8	59,977
Succeeding year	-	137,360	249,580	6,504,186	513,502	2,537,055	286,706	-	1,930	10,230,319
Accounts	243	-	-	-	-	-	-	-	10,170	10,413
Due from other governments	-	-	-	-	-	-	-	-	40,342	40,342
Total assets	<u>\$ 43,195</u>	<u>\$ 139,965</u>	<u>\$ 342,764</u>	<u>\$ 6,608,159</u>	<u>\$ 520,624</u>	<u>\$ 2,603,651</u>	<u>\$ 290,553</u>	<u>\$ 238,955</u>	<u>\$ 228,672</u>	<u>\$ 11,016,538</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,314	\$ 24,455
Salary payable	-	-	2,875	-	-	-	-	-	-	2,875
Due to other governments	39,515	139,965	339,748	6,608,159	520,624	2,603,651	290,553	238,955	204,358	10,985,528
Trusts payable	3,680	-	-	-	-	-	-	-	-	3,680
Total liabilities	<u>\$ 43,195</u>	<u>\$ 139,965</u>	<u>\$ 342,764</u>	<u>\$ 6,608,159</u>	<u>\$ 520,624</u>	<u>\$ 2,603,651</u>	<u>\$ 290,553</u>	<u>\$ 238,955</u>	<u>\$ 228,672</u>	<u>\$ 11,016,538</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

Schedule 4

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
Balances beginning of year	\$ 40,706	\$ 170,096	\$ 321,542	\$ 6,737,992	\$ 467,924	\$ 2,557,147	\$ 276,088	\$ 267,183	\$ 152,445	\$ 10,991,123
Additions:										
Property and other county tax	-	136,892	248,671	6,468,631	511,372	2,555,298	265,724	-	1,923	10,188,511
E911 surcharge	-	-	-	-	-	-	-	-	132,034	132,034
State tax credits	-	9,083	12,207	360,810	24,819	162,915	13,963	-	100	583,897
Office fees and collections	303,027	-	-	-	-	-	-	-	-	303,027
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	3,533,975	-	3,533,975
Assessments	-	-	-	-	-	13,546	-	-	-	13,546
Trusts	47,007	-	-	-	-	-	-	-	-	47,007
Miscellaneous	-	-	2,090	-	-	-	-	-	234,843	236,933
Total additions	350,034	145,975	262,968	6,829,441	536,191	2,731,759	279,687	3,533,975	368,900	15,038,930
Deductions:										
Agency remittances:										
To other governments	302,182	176,106	241,746	6,959,274	483,491	2,685,255	265,222	3,562,203	292,673	14,968,152
Trusts paid out	45,363	-	-	-	-	-	-	-	-	45,363
Total deductions	347,545	176,106	241,746	6,959,274	483,491	2,685,255	265,222	3,562,203	292,673	15,013,515
Balances end of year	\$ 43,195	\$ 139,965	\$ 342,764	\$ 6,608,159	\$ 520,624	\$ 2,603,651	\$ 290,553	\$ 238,955	\$ 228,672	\$ 11,016,538

See accompanying independent auditor's report.

CALHOUN COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION – ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Schedule 5

	Modified Accrual Basis									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:										
Property and other County tax	\$ 6,289,878	\$ 6,338,691	\$ 6,042,672	\$ 5,674,033	\$ 5,345,023	\$ 4,862,274	\$ 4,834,623	\$ 4,394,827	\$ 4,028,557	\$ 4,504,509
Interest and penalty on property tax	28,513	33,281	36,895	31,505	30,723	31,381	27,190	28,124	22,861	35,254
Intergovernmental	6,310,205	4,988,656	7,923,493	4,884,308	4,758,872	5,772,915	5,619,776	6,076,916	5,860,587	5,682,265
Licenses and permits	18,189	15,241	19,162	16,778	15,498	25,132	8,877	8,072	7,828	9,479
Charges for service	758,526	876,069	873,333	919,544	826,549	1,191,135	827,809	771,814	683,703	829,273
Use of money and property	123,222	128,809	138,453	141,518	170,658	277,837	327,506	267,324	165,447	127,201
Miscellaneous	285,291	303,411	899,180	599,664	217,871	710,367	144,587	446,893	313,523	921,505
Total	<u>\$13,813,824</u>	<u>\$12,684,158</u>	<u>\$15,933,188</u>	<u>\$12,267,350</u>	<u>\$11,365,194</u>	<u>\$12,871,041</u>	<u>\$11,790,368</u>	<u>\$11,993,970</u>	<u>\$11,082,506</u>	<u>\$12,109,486</u>
Expenditures:										
Operating:										
Public safety and legal services	\$ 1,902,366	\$ 1,828,755	\$ 1,711,627	\$ 1,796,321	\$ 1,743,535	\$ 1,246,797	\$ 1,210,321	\$ 1,150,588	\$ 1,374,782	\$ 1,127,485
Physical health and social services	2,005,909	1,943,008	2,133,171	2,464,403	2,516,749	3,506,317	3,323,350	3,199,600	3,287,599	3,442,855
Mental health	295,449	1,535,643	1,251,283	1,047,115	1,195,894	1,195,363	1,172,381	1,111,901	1,167,669	1,220,833
County environment and education	600,795	613,135	596,640	597,872	586,866	674,639	590,597	711,907	774,224	535,968
Roads and transportation	4,245,911	4,140,173	4,262,182	4,204,058	3,551,781	3,530,344	3,407,286	3,422,375	3,168,461	3,258,877
Governmental services to residents	552,172	500,848	466,697	455,365	414,838	411,312	377,359	367,729	325,891	303,527
Administration	1,034,694	908,429	899,804	950,042	937,809	897,791	853,276	815,228	812,006	823,195
Non-program	206,303	241,590	214,867	601,910	698,690	407,737	223,969	359,311	240,342	197,328
Capital projects	488,148	286,601	398,440	229,010	288,425	617,984	559,126	576,827	197,437	410,306
Total	<u>\$11,331,747</u>	<u>\$11,998,182</u>	<u>\$11,934,711</u>	<u>\$12,346,096</u>	<u>\$11,934,587</u>	<u>\$12,488,284</u>	<u>\$11,717,665</u>	<u>\$11,715,466</u>	<u>\$11,348,411</u>	<u>\$11,320,374</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Calhoun County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Calhoun County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Calhoun County's internal control. Accordingly, we do not express an opinion on the effectiveness of Calhoun County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or, significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-(A-C)-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of non-compliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items I-(D-E)-13. We noted certain instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Calhoun County's Responses to Findings

Calhoun County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Calhoun County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purposes of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Humzelman, Putzier + Co., PLC

January 29, 2014

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-13 Segregation of Duties – A concentration of closely related duties and responsibilities, such as the recording and processing of cash receipts and disbursements, reconciliation of bank accounts, preparing journal entries for posting, analyzing financial information, and reporting financial information, exists in most county offices. This concentration with a limited number of employees makes it difficult to establish an adequate system of internal checks on the accuracy and reliability of the accounting records.

Recommendation – Each department head should review the operating procedures of their office to obtain the best segregation of duties as possible under the circumstances. The department head should utilize current employees to provide internal checks through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Auditor, Treasurer, Recorder and Sheriff have all reviewed the segregation of duties and will continue to obtain the best segregation of duties as possible. This will also be brought up at a department head meeting as a reminder to all.

Conclusion – Response accepted.

- I-B-13 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – We have addressed this control risk by engaging certified public accountants to prepare the financial statements. There are sessions as part of our ISAC (Iowa State Association of Counties) training that are attended when available which are presented by the State Auditor's and Department of Management's offices.

Conclusion – Response accepted.

- I-C-13 Bank Reconciliation – The Treasurer is responsible to keep a true account of all receipts and disbursements of the county. Receipts and disbursements are recorded using the county's computer software. A report called a general ledger summarizes the receipts and disbursements and calculates an ending cash balance. This calculated ending cash balance from the general ledger should be matched, or reconciled, each month to the actual cash on hand and on deposit with banks. This process of reconciling identifies various cash items that are in transit between the county and the banks. The reconciliation is complete when all cash items that are in transit have been identified. A complete reconciliation ensures that all receipts and disbursements have been recorded in the county's computer software. During the year, the Treasurer began reconciliations for each month but was unable to identify all cash items that were in transit, so the reconciliations were incomplete. Since the reconciliations are incomplete, it is not known whether the general ledger is accurate with regard to receipts and disbursements or ending cash balance.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

I-C-13 Bank Reconciliation – (Continued)

Recommendation – The general ledger ending cash balance should be made accurate in order to start the new fiscal year with the correct cash balance. The Treasurer should determine the correct cash balance for the end of the fiscal year. The Treasurer should correct the general ledger and, if necessary, consult with the software company to assist with this correction. Once the general ledger is correct, the Treasurer should ensure that the ending cash balances are brought forward to the new fiscal year in order to start the year with the correct cash balances. The Treasurer should then immediately begin the process of reconciling every month since the beginning of the new fiscal year. Each month should be reconciled completely before starting the next month's reconciliation. The Treasurer should consult with other departments, as necessary, to determine that all cash items in transit have been identified. Once the monthly reconciliations for the new fiscal year are completed and are up to date, the Treasurer should strive to complete the monthly reconciliations promptly following the end of every month. A reconciliation completed promptly ensures that errors and software problems are corrected on a timely basis and are not allowed to accumulate.

Response – As County Treasurer I must take responsibility for balancing and reconciling the General Ledger. I believe other departments have become more responsible for making sure that monies are brought to the Treasurer's Office in a more timely manner for receipting and many more transactions are being done electronically.

There is still some lack of communication when changes/corrections are made by other offices. Since those changes are done at will, those changes most likely will affect reconciliation, especially when done for a previous month. The Treasurer, herself, does not make corrections to the General Ledger concerning claims or payroll, so if changes are made in those areas, once again, sometimes it is difficult to discern the discrepancy. A new General Ledger must be run when changes are made and therefore, communication between those entering information must be a high priority as any correction/adjustment could result in a change to the General Ledger. Everyone is working on more accurate reporting. Our software people have recently made us aware that when checks are voided, the dates entered to void those checks and re-issue new ones must be accurate. This may have been a reconciling issue in the past. All those involved are aware that more specific month-to-month reconciling and just taking the time to review their monthly reports is very important. We are continually working to improve the process, including more segregation of duties.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

- I-D-13 Financial Condition – The Proprietary Fund-Internal Service Employee Group Health fund had a deficit net asset balance of approximately \$38,000 as of June 30, 2013. In addition, this fund overdrew its share of the internal investment pool during the year. The General Fund was deemed to have advanced the overdrawn amount to the Internal Service Employee Group Health fund. At June 30, 2013, this advance balance was approximately \$32,000. The advance was neither approved by resolution nor repaid by the end of the fiscal year.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements: (Continued)

INSTANCES OF NON-COMPLIANCE: (Continued)

I-D-13 Financial Condition – (Continued)

Recommendation – The County should investigate alternatives to eliminate this deficit and return the fund to a sound financial condition.

Response – The departments all contributed by claims for a total of \$35,000 to help defray the group health fund. This was done in December, 2013. We will continue to monitor it.

Conclusion – Response accepted.

I-E-13 Excess Balance – The Capital Projects funds have balances at June 30, 2013 in excess of one year's expenditures and unassigned fund balances of approximately \$61,000.

Recommendation – The County should determine the necessity of maintaining these substantial balances and consider returning the unassigned fund balances to the General fund.

Response – In June, 2013, the county transferred \$66,000 back to General Basic. The county is using LOSST revenue for projects. The county has kept dollars in the computer capital projects fund and there will be a budget amendment in May to use some of the capital project dollars for computer equipment.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

II-B-13 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Anderson Construction, owned by the spouse of an Assessor's office employee	Services	\$ 1,455
Snap-on Tools, owned by the spouse of a Department of Health employee	Tools	\$ 9,995
Trae's Tree Service, owned by Trae Thomas, Sheriff employee and EMT	Tree trimming	\$ 560
Norine TV, owned by spouse of an Auditor's office employee	Equipment	\$ 178

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-D-13 Business Transactions – (Continued)

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Snap-on Tools may represent a conflict of interest since the total transactions were more than \$1,500 during the fiscal year.

Recommendation – The County should review those transactions closely and may want to consult their attorney to determine that they are in compliance with the Code of Iowa.

Response – Secondary Roads purchases tools from Snap-On Tools because they are top of the line tools. They stop at our shop with a large inventory of tools and they deliver the tools we order. This makes it very convenient to buy top quality tools. I did not know his spouse worked for the county.

Conclusion – Response accepted.

II-E-13 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-13 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-H-13 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-13 County Extension Office - The County Extension office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013, for the County Extension office did not exceed the amount budgeted.